NORTHERN MUNICIPAL TRUST ACCOUNT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Northern Municipal Trust Account, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Municipal Trust Account as at December 31, 2014, and the results of its operations, changes in net financial assets, and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
April 14, 2015

Judy Ferguson, FCPA, FCA
Acting Provincial Auditor

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NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

	2014	2013
Financial Assets		
Cash	18,201	13,438
Temporary investments	6,587	10,577
Accounts receivable (*note 4*)	6,309	6,107
Inventory for resale	469	573
Total Financial Assets	31,566	30,695
Liabilities		
Grants payable	4,922	5,638
Unearned revenue (*note 5*)	1,720	1,720
Advance payments (*note 6*)	879	1
Accounts payable	99	197
Accrued landfill decommissioning (*note 7*)	268	262
Revenues collected for others (*note 8*)	256	195
Total Liabilities	8,144	8,013
Net Financial Assets (*schedule 1*)	23,422	22,682
Non-financial Assets		
Tangible capital assets (*note 9*)	4,459	4,787
Prepaid expenses	34	37
Total Non-financial Assets	4,493	4,824
Accumulated Surplus (*schedule 1*)	27,915	27,506

Contractual obligations (*note 13*)

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2014		2013
	Budget *(note 10)*	**Actual**	**Actual**
Revenue *(schedule 1)*			
Transfers			
Northern revenue sharing	18,217	19,160	19,716
Water and sewer	2,327	1,058	2,293
Other transfers	287	351	450
Lease fees	4,228	4,248	4,329
Taxation	3,087	3,439	3,092
Utility and fuel sales	735	1,594	796
Interest and investment income	274	492	458
Land sales	94	56	520
Other	569	252	365
Total Revenue	29,818	30,650	32,019
Expense *(schedule 1 and note 14)*			
Transfers			
Northern revenue sharing	15,434	16,218	16,933
Water and sewer	12,242	6,941	8,193
Northern capital	1,400	10	848
New North	320	320	320
Planning for Growth	137	130	-
Northern residential subdivision	1,777	1,544	672
Municipal services *(note 11)*	3,480	3,665	3,283
Fuel operating costs	610	1,342	688
Bad debt expense	50	65	54
Landfill decommissioning *(note 7)*	6	6	6
Total Expense	35,456	30,241	30,997
Surplus (deficit)	(5,638)	409	1,022
Accumulated surplus, beginning of year	23,404	27,506	26,484
Accumulated Surplus, End of Year *(schedule 1)*	17,766	27,915	27,506

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

	2014	2013
Surplus	409	1,022
Tangible Capital Assets		
Acquisition of tangible capital assets (*note 9*)	(179)	(329)
Amortization of tangible capital assets (*note 9*)	482	479
Write-down of tangible capital assets (*note 9*)	25	5
Net Reduction of Tangible Capital Assets	328	155
Other Non-financial Assets		
Decrease in prepaid expenses	3	4
Net Increase in Non-financial assets	3	4
Increase in net financial assets	740	1,181
Net financial assets, beginning of year	22,682	21,501
Net Financial Assets, End of Year	23,422	22,682

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Cash Flow
For the year ended December 31
(thousands of dollars)

	2014	2013
Operating Activities		
Surplus	409	1,022
Plus landfill decommissioning costs	6	6
Plus amortization expense	482	479
Loss / (gain) on disposal of assets	24	(27)
Change in Working Capital Balances		
Accounts receivable	(202)	(302)
Inventory held for resale	104	2
Grants payable	(716)	696
Unearned revenue	-	135
Advance payments	878	(211)
Accounts payable	(98)	66
Revenue collected for others	61	38
Prepaid expenses	3	4
Cash Provided by Operating Activities	951	1,908
Capital Activities		
Cash used to acquire tangible capital assets	(179)	(329)
Proceeds from disposal of tangible capital assets and tax title properties	-	23
Cash Used for Capital Activities	(179)	(306)
Investing Activities		
Proceeds from disposal of temporary investments	10,540	4,040
Purchase of temporary investments	(6,549)	(10,539)
Cash Provided (Used for) By Investing Activities	3,991	(6,499)
Increase (decrease) in Cash	4,763	(4,897)
Cash, beginning of year	13,438	18,335
Cash, End of Year	18,201	13,438

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Notes to the Financial Statements
As at December 31, 2014

1. Authority and Organization Description

Northern Municipal Trust Account (NMTA) was established by Section 426 of *The Northern Municipalities Act, 2010* (Act). NMTA is administered by the Northern Municipal Services Branch of the Ministry of Government Relations (GR). NMTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Municipalities Regulations.* The NMTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and resort subdivisions.

The Northern Water and Sewer Program provide funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and GR, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Development Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NMTA.

Pursuant to the Act, NMTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NMTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

a) Inventory for resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not subject to significant influence. They are recorded at cost, and revenue from these investments is recorded as income when receivable.

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP, at a cost of $100 each. First Nations in the far north hold the remaining interest.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NMTA's tangible capital asset policy requires items with a cost of $500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NMTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and eligibility criteria are met.

Property tax revenue is based on assessments determined in accordance with Saskatchewan legislation and the formulas, principles and rules in the Saskatchewan Assessment Manual. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued.

f) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern residential subdivision development program – land development costs

NMTA incurs land development costs for the Northern Residential Subdivision Development Program. Under the program, NMTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. Expenses are reported on an accrual basis.

Revenue is recognized upon completion of the developed lots. Revenue is considered earned when the official date of completion is received along with the final development cost summary from the SaskWater project manager.

h) Change in municipal administration

The NMTA serves in a municipal function in the administration of the northern settlements and resort subdivisions.

Pursuant to sections 71 or 72 of the Act an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or resort subdivision under the administration of the NMTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from the NMTA to the municipality as of the date it is established as a separate entity.

Pursuant to sections 73 of the Act, a northern settlement may be dissolved. On dissolution of the northern settlement, the related assets, liabilities, non-financial assets and accumulated surplus are transferred to the NMTA from the northern settlement as of the date it is no longer recognized as a municipality.

j) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Accounts subject to significant estimates include lease revenue from the Ministry of Environment. During the year the Ministry implemented a new lands system which resulted in the delay of invoicing all lease holders. The Ministry is now planning to invoice lease holders prior to March 31, 2015. An estimate of $4,096,243 was developed based on the prior year lease revenue. Actual results could differ from these estimates.

3. Financial Instruments

NMTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 213 days (2013 – 163 days) and bear interest ranging from 1.1% to 1.5% per annum (2013 – 1.1% to 2.0%).

4. Accounts Receivable

(thousands of dollars)	2014	2013
Water and sewer infrastructure	51	610
Lease fees receivable	4,130	3,472
Accrued interest	44	69
Fuel sales receivable	339	107
Receivable from federal government (GST)	483	143
Taxes	33	54
Other	1,229	1,652
Total Accounts Receivable	6,309	6,107

NMTA's accounts receivable above are net of a provision of $582,756 for taxes, $1,397,377 for leases, and $0 for other receivables that are considered doubtful, for a total provision of $1,980,133 (2013– $2,063,518).

5. Unearned Revenue

Unearned revenue of $1,719,889 (2013 – $1,719,889) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NMTA relating to future periods.

6. Advance Payments

Advance payments represent the balance of the payments received to be allocated against future expenditures. The NMTA entered into various agreements to fund the Northern Water and Sewer program. Many water and sewer municipal projects are jointly funded between the Provincial and Federal Government (Aboriginal Affairs and Northern Development Canada), NMTA, and the community itself whereby advance payments are received by the NMTA for future water and sewer project costs.

7. Accrued Landfill Decommissioning

The Environmental Management and Protection Act, 2002 (Saskatchewan) sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of the landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2014, NMTA has accrued an estimated amount of $268,000 (2013 - $262,000) for decommissioning and post decommissioning care for 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2014. Management estimates that the total cost to decommission landfill sites in NSAD will amount to $650,000 (2013 - $650,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 40 years. On average these landfills have 1.5 hectares available for use.

8. Revenues Collected for Others

(thousands of dollars)	2014	2013
School taxes due to school division	245	186
Municipal taxes collected due to hamlets	11	9
Total Revenues Collected for Others	256	195

9. Tangible Capital Assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold.

(thousands of dollars)	2014					2013
	Buildings	Machinery & Equipment	Other	Water & Sewer	Total	Total
Opening cost	3,191	2,505	879	9,199	15,774	15,509
Additions	21	24	36	98	179	329
Disposals and write-downs	(56)	(4)	(1)	0	(61)	(62)
Closing cost	3,156	2,525	914	9,297	15,892	15,776
Opening accumulated Amortization	2,095	2,076	511	6,305	10,987	10,567
Annual amortization	76	89	53	264	482	479
Disposals and write-downs	(32)	(4)	0	0	(36)	(57)
Closing accumulated amortization	2,139	2,161	564	6,569	11,433	10,989
Net Book Value of Tangible Capital Assets	1,017	364	350	2,728	4,459	4,787

10. Budget

The NMTA 2014 budget was approved on December 31, 2013 by the Minister of Government Relations.

11. Municipal Services

(thousands of dollars)	2014		2013
	Budget	Actual	Actual
General government	1,061	1,387	1,016
Utilities operating cost	999	1,050	1,112
Recreation and cultural	370	240	256
Environmental	386	396	281
Transportation services	601	521	572
Planning and development	10	-	10
Protective services	53	71	36
Total Municipal Services	3,480	3,665	3,283

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, Ministries, agencies, boards and commissions related to NMTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

(thousands of dollars)	**2014**	**2013**
Expense		
Water and sewer transfers	589	450
General government	402	367
Accounts Receivable		
Water and Sewer Infrastructure and other	51	645
Lease receivable	4,130	3,472

In addition, NMTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfer from related parties during the year:

(thousands of dollars)	**2014**	**2013**
Ministry of Government Relations	20,452	22,329
Ministry of Advanced Education	28	28
Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation	17	13
Grants in lieu from Saskatchewan ministries and agencies	72	63
	20,569	22,433

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Municipalities Regulations* and the Act, NMTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD.

13. Contractual Obligations

As at December 31, 2014, NMTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2014. These obligations total $3,279,566 (2013 – $7,478,427).

14. Expense by Object

(thousands of dollars)	2014		2013
	Budget	Actual	Actual
Transfers	29,533	23,619	26,294
Northern subdivision development	1,777	1,544	672
Wages and benefits	694	614	742
Administration	165	84	84
Maintenance, materials and supplies	1,089	1,585	989
Contractual services	1,047	1,099	1,027
Utilities	408	437	454
Amortization	487	482	479
Loss on disposal of tangible capital assets	-	24	5
Bad debt expense	50	65	54
Other expenses	206	688	197
Total Expense by Object	35,456	30,241	30,997

15. New Standards and interpretations not yet adopted

A number of new standards are effective for future periods beginning after December 31, 2014. These future standards have not been applied in preparing these financial statements. Those which may be relevant to the NMTA are set out below. The NMTA does not plan to adopt these standards early.

PS 3260 Liability for Contaminated sites – This standard is effective for fiscal years beginning on or after April 1, 2014. This standard establishes how to account for and report a liability associated with the remendiation of contaminated sites. The NMTA is assessing the impact of the adoption of this standard.

PS 3450 Financial Instruments – This standard is effective for fiscal years beginning on or after April 1, 2016. At this time the impact of the adoption of this standard is unknown.

PS 1201 Financial statement presentation – The standard is effective for fiscal years beginning on or after April 1, 2016. At this time the impact of the adoption of this standard is unknown.

PS 2601 Foreign currency translation – The standard is effective for fiscal years beginning on or after April 1, 2016. At this time the impact of this standard is unknown.

Schedule 1

NORTHERN MUNICIPAL TRUST ACCOUNT
Segmented and Restricted Assets

The NMTA functions as a consolidated fund, provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and resort subdivisions. Revenues collected during the year and the accumulated surplus of $11.6 million (2013–$11.4 million) of the northern settlements and resort subdivisions is restricted for their use only and is not available for use by the general account. In addition to the $11.6 million, the general account also has $1.1 million in restricted funds derived from sale of Crown land within boundaries of resort subdivisions. The restricted funds are to be expended on capital work projects in resort subdivisions.

Statement of Financial Position
As at December 31
(thousands of dollars)

	2014				2013
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Financial Assets					
Cash & temporary investments	18,098	6,092	598	24,788	24,015
Other financial assets	5,917	848	13	6,778	6,680
Total Financial Assets	24,015	6,940	611	31,566	30,695
Liabilities					
Grants payable	4,922	—	—	4,922	5,638
Unearned revenue	1,720	—	—	1,720	1,720
Other liabilities	1,123	285	94	1,502	655
Total Liabilities	7,765	285	94	8,144	8,013
Net financial Assets	16,250	6,655	517	23,422	22,682
Non financial Assets	48	4,110	335	4,493	4,824
Accumulated Surplus	16,298	10,765	852	27,915	27,506

Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2014				2013
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Revenue					
Transfers	18,752	1,816	1	20,569	22,459
Lease fees	4,210	38	—	4,248	4,329
Taxation	3,070	107	262	3,439	3,092
Utility and fuel sales	—	1,594	—	1,594	796
Interest and investment	301	181	10	492	458
Land sales	26	6	24	56	520
Other	239	12	1	252	365
Total Revenue	26,598	3,754	298	30,650	32,019
Expense					
Transfers	23,619	—	—	23,619	26,294
Northern residential subdivision	1,544	—	—	1,544	672
Municipal services	1,276	2,091	298	3,665	3,283
Fuel operating costs	—	1,342	—	1,342	688
Bad debt expense	—	52	13	65	54
Landfill decommissioning	—	5	1	6	6
Total Expense	26,439	3,490	312	30,241	30,997
Surplus / (Deficit)	159	264	(14)	409	1,022
Accumulated surplus, beginning of year	16,139	10,501	866	27,506	26,484
Accumulated Surplus, End of Year	16,298	10,765	852	27,915	27,506